

Message Text

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TAGS: ETRD, EGR, FAO

SUBJ: SPECIAL FAO/UNCTAD AD HOC CONSULTATIONS ON TEA

REF : ROME 8425

1. /SUMMARY/: SPECIAL SESSION DISCUSSIONS COVERED PRIMARILY THE PRODUCING COUNTRIES' THEME THAT CURRENT FAVORABLE PRICE LEVELS FOR TEA ARE TEMPORARY, ARE DUE PRIMARILY TO DROUGHT-INDUCED SHORTFALLS AND HAVE BEEN NEUTRALIZED BY SOARING

PRODUCTION AND SHIPPING COSTS. GIVEN THE LACK OF IMPROVEMENT IN "REAL" PRICE OF TEA, PRODUCERS URGED THAT EFFORTS CONTINUE TO REDUCE TARIFF AND OTHER BARRIERS TO TEA IMPORTS. IN THIS CONNECTION CENTRALLY PLANNED ECONOMY COUNTRIES AND DEVELOPING COUNTRIES WITH RISING PER CAPITA INCOMES (OIL PRODUCERS) CAME UNDER CRITICISM. THE SESSION ALSO RECEIVED A PROPOSAL TO ESTABLISH WITHIN SUB-GROUP OF EXPORTERS A WORKING PARTY TO STUDY INTERIM AND LONG-TERM PRICING AND MARKETING ARRANGEMENTS.

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THE UK AND EEC CONTRIBUTED LITTLE DURING DISCUSSIONS ON FUTURE

PRICE LEVELS. THE EEC REPORTED CONTINUING EFFORTS TO REDUCE BARRIERS TO TEA CONSUMPTION. THE US EXPRESSED ITS VIEW THAT CURRENT PRICE IMPROVEMENT WOULD BE SUSTAINED AND RESULTED IN GREAT PART FROM INCREASING WORLD CONSUMPTION AND OTHER FREE-MARKET FACTORS. PROPOSAL OF SUB-GROUP OF EXPORTERS TO SET UP WORKING PARTY WAS ENDORSED AND GIVEN STRONG SUPPORT BY UK AND OTHER EEC MEMBERS. THE US DID NOT SUPPORT THE PROPOSAL. END SUMMARY.

2. CENTRAL THEME OF PRODUCING COUNTRIES DURING SPECIAL SESSION WAS THAT RECENT PRICE IMPROVEMENT FOR TEA HAS BEEN OFF-SET BY SOARING COSTS OF PRODUCTION INPUTS. THEY CLAIM THERE HAS BEEN LITTLE SIGNIFICANT IMPROVEMENT IN "REAL" PRICE OF TEA. PRODUCERS ASSERT MOREOVER, THAT CURRENT PRICE IMPROVEMENT IS

DROUGHT-INDUCED AND ONLY TEMPORARY. EXTENSIVE DISCUSSION DEVELOPED OVER THIS ISSUE. THE US POSITION WAS THAT PRESENT PRICE LEVEL REFLECTS IN GREAT PART A FUNDAMENTAL CHANGE IN SUPPLY/DEMAND RATIO DUE TO INCREASING WORLD DEMAND. IN THIS CONNECTION, US MADE STATEMENT ON POSITIVE EFFECT FREE-MARKET FORCES WERE HAVING ON TEA PRICES. SURPRISINGLY, SRI LANKA SUPPORTED THE US POSITION. INDIA CLAIMED THAT PRODUCTION SURPLUSES WERE LIKELY TO RETURN AND, IN ANY EVENT, A SIX-MONTH PERIOD OF PRICE IMPROVEMENT IS AN INSUFFICIENT BASE ON WHICH TO PROJECT PRICE TRENDS.

3. PRODUCERS USED THEME OF STATK OR marginally improved "REAL" TEA PRICES TO PRESS FOR FURTHER REDUCTIONS D TARIFF AND NON-TARIFF BARRIERS IN DEVELOPED COUNTRIES. PRODUCERS ALSO STRESSED ABOLISHMENT OF INTERNAL TAXES ON TEA IN DEVELOPED COUNTRIES AND ELIMINATION OF BARRIERS SUCH AS EXCHANGE CONTROLS WHICH RESTRICT TEA IMPORTS IN CENTRALLY PLANNED ECONOMY COUNTRIES. SRI LANKA SUGGESTED EARLY IN MEETING THAT COUNTRIES WITH HIGH INTERNAL TAXES ON TEA SHOULD TRANSFER AT LEAST PART OF SUCH REVENUE TO PRODUCING COUNTRIES. LATER IN THE MEETING SRI LANKA REFINED ITS PROPOSAL TO SUGGEST THAT IF A TRANSFER OF FUNDS WERE NOT MADE, RETURNS FROM INTERNAL TAXES ON TEA SHOULD BE USED TO PROMOTE TEA CONSUMPTION IN THE TAXING COUNTRY. SRI LANKA ALSO MADE A SPECIAL APPEAL TO THE SOVIET UNION TO REORGANIZE ITS BUYING AND RETAILING OF

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TEA TO ALLOW INCREASES IN TEA IMPORTS AND CONSUMPTION. CENTRALLY PLANNED ECONOMY COUNTRIES UNDERWENT A FAIR SHARE OF CRITICISM DURING THE SESSION. THE SOVIET DELEGATE (WE UNDERSTAND THIS IS THE FIRST SPECIAL SESSION WITH SOVIET REPRESENTATION) REPLIED THAT ITS IMPORTS FROM PRODUCING COUNTRIES HAD BEEN STEADILY INCREASING, ITS RETAIL PRICE OF TEA HAD NO EFFECT ON CONSUMPTION AND HE REMINDED PRODUCERS THAT SOVIET TEA PRODUCTION WAS SUFFICIENT TO GIVE THE SOVIET

UNION AN EXPORTING CAPABILITY. EEC REPLY TO CRITICISM WAS STANDARD AND ALONG LINES THAT BARRIERS TO TEA IMPORTS HAD BEEN STEADILY REDUCED. EEC REPEATED SUPPORT FOR SOME FORM OF MARKET ORGANIZATION AS A MEANS OF FUTURE IMPROVEMENT FOR TEA EXPORTS AND PRICES. PRODUCER APPEAL FOR LOWERING BARRIERS WERE ALSO DIRECTED TO DEVELOPING IMPORTING COUNTRIES, "PARTICULARLY THOSE COUNTRIES WHICH HAD RECENTLY EXPERIENCED VERY SUBSTANTIAL GAINS IN PER CAPITA INCOME." THIS WAS DIRECTED MAINLY AT THE OIL PRODUCERS. THE LONDON TEA AUCTION SYSTEM CAME UNDER CRITICISM THROUGHOUT THE MEETING, ESPECIALLY BY SRI LANKA AND INDIA. THEIR DELEGATIONS CLAIMED THAT A SMALL GROUP OF MAJOR BUYERS LIMITS COMPETITION AND KEEPS LONDON AUCTION PRICES DOWN.

4. DISCUSSION DEVELOPED AROUND THE SUB-GROUP OF EXPORTERS REPORT REQUESTING THE DIRECTOR-GENERAL OF FAO TO SET UP WORKING PARTY TO STUDY THE FEASIBILITY OF A TEA AGREEMENT, AS REPORTED IN THE REFTEL QUOTING A PRESS RELEASE ON THIS SUBJECT. US REMINDED THE DELEGATES AND THE SECRETARIAT THAT THE SPECIAL SESSION WAS NOT THE PROPER FORUM FOR RECEIVING A SUB-GROUP OF EXPORTERS REPORT. THE U.S. DELEGATION ADDED THAT AN IGT WORKING PARTY ON LONG-TERM ARRANGEMENTS HAD ALREADY BEEN ESTABLISHED AND A REPORT TO THE IGT BY THE FAO SECRETARIAT WAS STILL OUTSTANDING. THE US ALSO QUESTIONED THE FORMATION OF ANOTHER BODY WITHIN THE INTERGOVERNMENTAL GROUP. THE UK, WHICH HAD BOTH PRODUCER AND IMPORTER REPRESENTATIVES IN ITS DELEGATION (7 MEMBERS OF ITS 8-MAN DELEGATION REPRESENTING TRADE) ENDORSED THE REQUEST AND WAS QUICKLY SUPPORTED BY EEC. THE UK TENDED TO AVOID TAKING ISSUE WITH THE TEA PRODUCERS. THE UK AND EEC IMPORTERS WERE AWARE THAT THE WORKING PARTY COULD INCLUDE IN ITS EXAMINATION MINIMUM PRICES, BUT CONSIDERED THAT CURRENT DIVISIONS BETWEEN PRODUCERS FROM AFRICA AND FROM INDIA

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AND SRI LANKA WOULD INHIBIT ANY MEANINGFUL COORDINATION. WHILE US TRADE SUPPORTS THIS VIEW, IT CONSIDERS THAT IF TECHNICAL DIFFICULTIES COULD BE OVERCOME, AGREEMENT BETWEEN INDIA AND SRI LANKA IS ALL THAT WOULD BE REQUIRED, TO EFFECT A MINIMUM PRICE ARRANGEMENT. THE PROPOSAL FOR A WORKING PARTY WAS ENDORSED IN THE FINAL REPORT WITHOUT US SUPPORT.

5. THE SPECIAL SESSION ENDED WITH LAST-HOUR SQUABBLE BETWEEN SRI LANKA AND EEC OVER LENGTH OF EEC STATEMENT IN FINAL REPORT AS AGAINST THAT OF SPACE GIVEN TO SRI LANKA STATEMENTS. ISSUE FINALLY RESOLVED BY ACCEPTING SRI LANKA REQUEST THAT A LENGTHY STATEMENT PRESENTED ON EEC TARIFF AND NON-TARIFF BARRIERS BE PLACED IN THE REPORT, THUS RESTORING "BALANCE."

6. WORKING PARTY OF SUB-GROUP OF EXPORTERS HAS BEEN REQUESTED

TO MEET BY SEPTEMBER AND REPORT TO SUB-GROUP OF EXPORTERS
AS SOON AS POSSIBLE THEREAFTER. IF THIS SCHEDULE IS
MAINTAINED IT IS LIKELY THAT THE SUB-GROUP OF EXPORTERS WOULD
REPORT TO THE INTER-GOVERNMENTAL GROUP ON THE RESULTS OF THE
WORKING PARTY SOME TIME IN THE SPRING OR EARLY SUMMER OF 1975.
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